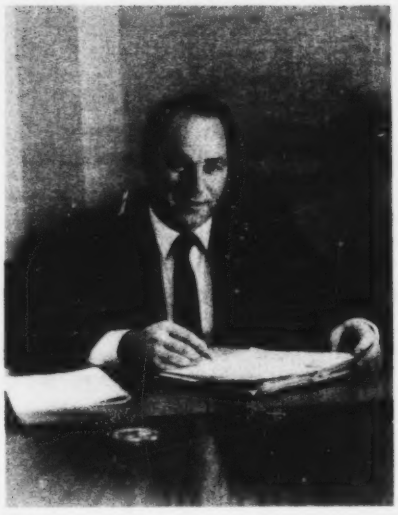
Province of Nova Scotia
Financial Statements
1989

Nova Scotia

This report presents the Financial Statements of the Province of Nova Scotia for the fiscal year ended March 31, 1989. The complete Public Accounts will be presented to the Legislative Assembly at its next session.

Hon. Greg Kerr,
Minister of Finance



Province of Nova Scotia Financial Statements 1989

Nova Scotia

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Province of Nova Scotia

Financial Statements

March 31, 1989

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Province of Nova Scotia

Auditors' Report

The Honourable Greg Kerr,
Minister of Finance,
Province of Nova Scotia,
Halifax, Nova Scotia.

Sir:

We have examined the statement of financial position of the Province of Nova Scotia as at March 31, 1989 and the statements of consolidated fund transactions and of current revenue and expenditure for the year then ended together with notes to the financial statements and the supporting statements. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Province of Nova Scotia as at March 31, 1989 and the results of its consolidated fund transactions and of its operations for the year then ended in accordance with the accounting policies stated in the notes to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
September 14, 1989

Province of Nova Scotia

Statement of Financial Position

as at March 31, 1989

		1989	1988
		(in thousands)	
ASSETS			
Current Assets:			
Cash and short-term investments		$ 296,460	$ 271,047
Accounts receivable		297,716	261,280
Inventories		29,067	29,631
Advances		2,399	2,415
		625,642	564,373
Capital Assets:			
Advances (Note 4)		754,730	763,398
Investments (Note 4)		34,923	30,924
		789,653	794,322
		$ 1,415,295	$ 1,358,695
LIABILITIES			
Current Liabilities:			
Bank Advances		$ 45,280	$ 50,755
Accounts payable		276,317	223,235
Accrued interest		173,863	170,089
		495,460	444,079
Capital Liabilities:			
Debentures (Note 5)		5,625,809	5,472,492
Less: Sinking Funds		1,264,212	1,171,297
		4,361,597	4,301,195
Other Capital Liabilities (Note 5)	$ 65,290		
Less: Sinking Funds	3,431	61,859	43,218
		4,423,456	4,344,413
Deficiency in net assets of Sydney Steel Corporation (Note 3)		443,542	325,806
		5,362,458	5,114,298
NET DIRECT DEBT			
Net Direct Debt		(3,947,163)	(3,755,603)
		$ 1,415,295	$ 1,358,695
Trust Funds under Administration		$ 1,802,837	$ 1,610,931

Contingent Liabilities and Commitments (Notes 3, 7 and 8)

Province of Nova Scotia

Consolidated Fund Transactions

for the fiscal year ended March 31, 1989

	1989	1988
	(in thousands)	
Budgetary Transactions		
Current Account		
Excess of Current Operating Expenditure over Revenue and Recoveries	$ 61,117	$ 115,342
Sinking Fund Instalments and Serial Retirements	90,917	86,461
Net Revenue Deficit	152,034	201,803
Capital Account		
Net Capital Expenditure	297,889	219,239
Advance under the Appropriations Act	40	41
Net Budgetary Transactions	449,963	421,083
Non-Budgetary Transactions		
Capital Expenditure for which no vote is required	2,670	2,490
Net Increase (Decrease) in Advances and Investments	7,802	(18,710)
Expenditure from Health Services Reserve Account	18	18
Expenditure from Funds Created from Special Reserve	1,673	—
Earnings on sinking funds pertaining to borrowings for Nova Scotia Power Corporation credited to their Advances	3,317	3,026
Debt Retirement not chargeable to Current Revenue	3,722	4,199
Non-Budgetary Transactions	19,202	(8,977)
Total Budgetary and Non-Budgetary Transactions	469,165	412,106
Less: Non-Fund Requiring Transactions	4,215	20,089
	464,950	392,017
Refinancing Transactions	174,188	241,050
Total Consolidated Fund Transactions	$ 639,138	$ 633,067
Funds Provided By:		
Debentures Issued	$ 440,483	$ 420,543
Debentures Issued to provide for Refinancing of Existing Debt	173,264	237,586
Other Capital Liabilities	22,048	—
Disposal of Capital Assets	13,231	602
Increase (Decrease) in non-cash Net Current Liabilities	21,000	(33,909)
(Increase) Decrease in Net Cash and Short-term Investments and Bank Advances	(30,888)	8,245
	$ 639,138	$ 633,067

Current Revenue and Expenditure

for the fiscal year ended March 31, 1989

	1989			1988
	Estimate	Forecast	Actual	Actual
		(in thousands)		
Revenue and Recoveries				
Provincial Sources				
Income Taxes	$ 827,423	$ 845,211	$ 843,380	$ 779,926
Sales Taxes	798,860	813,023	809,737	757,723
Interest Revenue	72,600	76,354	79,179	73,530
Liquor Commission	88,800	78,800	80,759	84,056
Transportation and Registry of Motor Vehicles	44,083	43,523	42,632	41,346
Other Provincial Revenue	111,465	108,172	112,387	103,633
Federal Sources				
Equalization	773,000	795,821	795,821	702,749
Established Programs Financing	378,300	365,498	365,498	364,075
Shared Cost Programs	206,696	195,113	192,996	176,575
Other Federal Payments	2,251	2,251	2,251	2,251
Other Recoveries	83,132	84,020	87,284	78,595
	3,386,610	3,407,786	3,411,924	3,164,459
Expenditure				
General Government	95,812	112,406	111,700	82,712
Public Protection	129,461	129,462	131,261	116,241
Transportation and Communication	130,283	133,726	137,204	127,369
Resource Development	182,650	180,847	188,824	171,474
Health	998,707	1,023,678	1,020,044	937,474
Social Services	367,423	371,179	371,750	332,786
Education	911,267	912,038	911,548	856,265
Culture and Recreation	27,366	28,216	27,806	30,022
Debt Charges (Note 6)	595,876	573,558	560,126	565,842
Municipal Affairs	65,689	66,303	66,372	63,421
	3,504,534	3,531,503	3,526,635	3,283,606
Excess of Current Operating Expenditure over Revenue and Recoveries before prior years' adjustments	117,924	123,717	114,711	119,147
Prior Years' Adjustments — Federal-Provincial Fiscal Arrangements	—	53,594	53,594	3,805
Excess of Current Operating Expenditure over Revenue and Recoveries	117,924	70,123	61,117	115,342
Sinking Fund Instalments and Serial Retirements	91,092	90,973	90,917	86,461
Net Revenue Deficit	$ 209,016	$ 161,096	$ 152,034	$ 201,803

Province of Nova Scotia

Capital Expenditure

for the fiscal year ended March 31, 1989

	1989			1988
	Estimate	Forecast (in thousands)	Actual	Actual
Capital Expenditure				
General Government	$ 7,125	$ 27,912	$ 29,091	$ 4,413
Public Protection	3,735	3,126	2,803	10,606
Transportation and Communication	122,145	128,131	131,304	99,026
Resource Development	135,100	131,738	131,277	66,094
Health	32,313	34,755	34,421	33,900
Social Services	495	431	318	369
Education	14,179	16,547	14,658	16,830
Culture and Recreation	13,488	12,161	11,305	4,152
Municipal Affairs	24,978	28,238	27,114	25,673
	353,558	383,039	382,291	261,063
Less: Recoveries	87,050	82,043	81,732	39,334
Net Capital Expenditure	$ 266,508	$ 300,996	$ 300,559	$ 221,729

Note: Capital expenditures consist of budgetary and non-budgetary transactions which for the year ended March 31, 1989 amounted to $297,889,000 and $2,670,000 respectively (1988 – $219,239,000 and $2,490,000).

Province of Nova Scotia

Changes in Net Direct Debt

for the fiscal year ended March 31, 1989

	1989	1988
	(in thousands)	
Net Direct Debt — beginning of year	$ 3,755,603	$ 3,503,671
Add:		
Excess of Current Operating Expenditure over Revenue and Recoveries (Statement 3)	61,117	115,342
Credits (Charges) not affecting Net Direct Debt	6,970	(4,595)
	68,087	110,747
Net Capital Expenditure (Statement 4)	300,559	221,729
(Decrease) Increase in provision for doubtful capital advances	(130)	19
Expenditures from Reserve Accounts —		
Funds created from Special Reserve Account	1,673	—
Health Services Reserve Account	18	18
Increase in deficiency of net assets of Sydney Steel Corporation for the fiscal year (Note 3)	117,736	52,967
Discounts on debentures issued	6,039	6,656
Total Additions to Net Direct Debt	493,982	392,136
Deduct:		
Income from sinking funds	117,815	108,011
Decrease in unrealized loss in respect of the translation of foreign currency debt, sinking funds and advances	171,376	31,591
Proceeds of disposal of capital assets	13,231	602
Total Deductions from Net Direct Debt	302,422	140,204
Increase in Net Direct Debt for the year	191,560	251,932
Net Direct Debt — end of year	$ 3,947,163	$ 3,755,603

Advances and Investments

as at March 31, 1989

	Advances and Investments	Provisions	Advances and Investments less Provisions 1989	1988
		(in thousands)		
Advances:				
Housing —				
Housing Development Act (net of Canada Mortgage and Housing Corporation and other borrowings of $61,539,000 in 1989 and $64,597,000 in 1988)	$ 121,491	$ 4,130	$ 117,361	$ 121,288
Resource and Industrial Development —				
Agriculture and Rural Credit Act	138,548	3,279	135,269	134,559
Business Capital Corporation Act	4,712	2,384	2,328	—
Deuterium of Canada Act	113,897	—	113,897	113,897
Fisheries Development Act	62,834	1,147	61,687	56,887
Industrial Development Act	114,430	45,392	69,038	72,246
Industrial Estates Limited Act	60,418	19,182	41,236	51,522
Industrial Loan Act	36,923	5,531	31,392	26,776
Nova Scotia Power Corporation Act	64,666	—	64,666	71,192
Small Business Development Corporation Act	20,817	2,999	17,818	18,029
Venture Corporations Act	10,997	6,454	4,543	4,117
Miscellaneous	849	—	849	875
Other —				
Loans to Municipalities	25,900	—	25,900	29,143
Universities Assistance Act	68,746	—	68,746	62,867
Health Services Tax Act	1,588	1,588	—	—
	846,816	92,086	754,730	763,398
Investments:				
Investments in Industrial Estates Limited	23,573	2,605	20,968	20,967
Other Investments	69,559	55,604	13,955	9,957
	93,132	58,209	34,923	30,924
	$ 939,948	$ 150,295	$ 789,653	$ 794,322

Note: At March 31, 1989, investments included $20,959,000 (1988–$20,959,000), net of an allowance for uncollectible amounts of $2,605,000 (1988–$2,605,000) of redeemable preference shares of Industrial Estates Limited ("IEL") purchased by the Province, of which $20,759,000 (1988–$20,759,000) is in respect of expenditures by IEL for the development of industrial parks. The shares issued in respect of the development of industrial parks are redeemable from the proceeds of the sale of industrial park lands.

Province of Nova Scotia

Additional Advances, Investments and Repayments

for the fiscal year ended March 31, 1989

Additional Advances and Investments 1989	1988		Repayments 1989	1988
(in thousands)			(in thousands)	
		Housing —		
$ 39,134	$ 52,159	Housing Development Act	$ 43,076	$ 50,781
		Resource and Industrial Development —		
14,708	19,284	Agriculture and Rural Credit Act	13,600	15.529
4,730	—	Business Capital Corporation Act	18	—
15,128	12,615	Fisheries Development Act	10,249	13,661
10,511	4,839	Industrial Development Act	6,921	7,028
—	6,331	Industrial Estates Limited Act	8,795	15,270
12,298	3,670	Industrial Loan Act	5,832	4,600
180	180	Nova Scotia Power Corporation Act	5,070	4,488
5,004	4,491	Small Business Development Corporation Act	3,953	3,093
1,240	2,075	Venture Corporations Act	244	—
40	41	Miscellaneous	66	356
		Other —		
—	—	Loans to Municipalities	3,243	3,862
8,196	8,074	Universities Assistance Act	2,317	13,901
—	—	Health Services Tax Act	99	23
$ 111,169	$ 113,759		$ 103,483	$ 132,592

Province of Nova Scotia

Debentures and Sinking Funds

as at March 31, 1989

Series	Date of Issue	Date of Maturity	Rate	Amount Outstanding	Sinking Funds
				(in thousands)	
Payable in Canadian Currency					
Canada Pension Plan Investment Fund (A)					
CP06	May 1, 1970	Feb. 2, 1990	7.51%	$ 30,965	$ 29,204
T53	March 3, 1970	March 3, 1990	8.29	3,601	3,413
CP07	July 2, 1971	March 1, 1991	7.79	34,041	28,550
CP08	May 1, 1972	March 1, 1992	7.08	35,715	26,767
CP11	Aug. 1, 1973	March 1, 1993	7.36	38,567	25,479
CP13	Aug. 1, 1974	March 1, 1994	7.53	43,767	25,480
CP14	Aug. 1, 1975	March 10, 1995	8.55	50,910	25,874
CP15	Oct. 1, 1976	March 2, 1996	8.94	57,325	25,215
CP16	Nov. 1, 1977	March 3, 1997	9.00	59,709	22,559
CP18	Nov. 1, 1978	March 1, 1998	9.08	62,852	20,258
CP19	Feb. 1, 1980	March 1, 1999	9.56	68,176	18,260
CP20	Nov. 1, 1980	March 3, 2000	10.59	73,922	16,826
CP21	Oct. 1, 1981	March 2, 2001	12.70	78,277	14,653
CP22	April 1, 1982	March 1, 2002	15.43	96,251	15,251
CP23	June 1, 1983	March 1, 2003	14.67	93,725	11,458
CP24	June 1, 1984	March 1, 2004	11.60	90,597	8,159
CP25	Aug. 1, 1985	Jan. 2, 2005	13.37	85,762	5,686
CP26	April 1, 1986	March 3, 2006	11.48	91,752	4,008
CP27	May 1, 1987	March 2, 2007	9.61	109,641	2,113
CP29	May 1, 1988	March 1, 2008	9.77	81,516	(A)
T272	April 8, 1988	April 8, 2008	9.62	10,592	(A)
T273	May 2, 1988	May 2, 2008	10.07	19,736	(A)
T274	June 1, 1988	June 1, 2008	10.31	18,270	(A)
T275	July 4, 1988	July 4, 2008	10.15	9,133	(A)
T276	Aug. 2, 1988	Aug. 2, 2008	10.06	3,280	(A)
T277	Sept. 1, 1988	Sept. 1, 2008	10.23	1,448	(A)
T278	Oct. 3, 1988	Oct. 3, 2008	10.39	1,781	(A)
T279	Nov. 1, 1988	Nov. 1, 2008	10.10	9,228	(A)
T280	Dec. 1, 1988	Dec. 1, 2008	9.93	4,982	(A)
				1,365,521	329,213

Province of Nova Scotia

Series	Date of Issue	Date of Maturity	Rate	Amount Outstanding	Sinking Funds
	Other Issues				
7X	May 1, 1980	May 1, 1990	13.75	92,424	7,176
6Y	July 15, 1970	July 15, 1990	9.25	15,000	9,335
7A	March 1, 1971	March 1, 1991	7.25	20,000	17,005
6F	Nov. 1, 1966	Nov. 1, 1991	6.25	15,000	15,000
7C	Dec. 1, 1971	Dec. 1, 1991	7.625	15,000	8,117
6G	Jan. 2, 1967	Jan. 2, 1992	6.50	20,000	16,278
BN	Nov. 1, 1980	Dec. 1, 1989-1993(a)	12.125	160	(B)
8M	Nov. 1, 1983	Nov. 1, 1993	12.00	100,000	13,233
6B	March 1, 1964	March 1, 1994	5.50	7,500	7,500
8R	Feb. 20, 1985	Feb. 20, 1995	11.625	100,000	14,425
7D	Dec. 1, 1971	Dec. 1, 1996	7.625	10,000	5,735
8G	April 15, 1982	April 15, 1997	15.50	100,000	17,922
7Q	Jan. 1, 1979-1989	Jan. 1, 1998	5.50	49,423	(C)
7U	Dec. 21, 1978	Dec. 21, 1998	10.00	50,000	13,593
8Z	March 1, 1988	March 1, 1998	9.875	150,000	(D)
7W	Jan. 4, 1980	Jan. 4, 2000	11.25	75,000	17,192
7K	March 3, 1975	March 3, 2000	9.25	35,000	17,979
7Z	Dec. 29, 1980	Dec. 29, 2000	13.375	85,000	16,366
7S	March 15, 1978	March 15, 1990-2003(a)	9.75	10,500	(B)
7V	March 30, 1979	March 30, 1990-2004(a)	10.50	15,000	(B)
8Q	Dec. 18, 1984	Dec. 18, 2004	12.625	150,000	9,815
7T	Sept. 7, 1978	Sept. 7, 1989-2008(a)	9.75	16,000	(B)
8S	July 3, 1985	July 3, 2009	11.25	150,000	5,469
8U	Dec. 12, 1985	Dec. 12, 2009	10.875	150,000	5,206
				1,431,007	217,346

Province of Nova Scotia

Series	Date of Issue	Date of Maturity	Rate		Amount Outstanding	Sinking Funds
Payable in United States Currency (E)						
8W	June 26, 1986	June 26, 1989	8.00	(U.S. $100,000)	119,250	$ 4,892
8H	Aug. 1, 1982	Aug. 1, 19[illegible]	15.25	(U.S. $ 75,000)	89,438	13,523
6C	Dec. 1, 1964	Dec. 1, 1989	4.50	(U.S. $ 1,299)	1,549	564
6E	Jan. 15, 1966	Jan. 15, 1991	5.125	(U.S. $ 1,020)	1,216	187
8D	Nov. 15, 1981	Nov. 15, 1991	15.75	(U.S. $125,000)	149,063	24,789
6H	Feb. 1, 1967	Feb. 1, 1992	5.875	(U.S. $ 40,000)	47,700	47,700
8X	June 1, 1987	June 1, 1992	8.875	(U.S. $125,000)	149,063	31,589
6J	July 1, 1967	July 1, 1992	6.25	(U.S. $ 35,000)	41,737	41,737
6K	Oct. 15, 1967	Oct. 15, 1992	6.50	(U.S. $ 35,000)	41,738	41,738
6N	Feb. 1, 1968	Feb. 1, 1993	7.00	(U.S. $ 40,000)	47,700	47,700
6Q	Aug. 1, 1968	Aug. 1, 1993	7.25	(U.S. $ 25,000)	29,813	29,813
6S	Nov. 15, 1968	Nov. 15, 1993	7.25	(U.S. $ 35,000)	41,737	41,737
6T	March 1, 1969	March 1, 1994	7.625	(U.S. $ 30,000)	35,775	35,775
6U	Aug. 1, 1969	Aug. 1, 1994	8.625	(U.S. $ 35,000)	41,737	41,737
6V	Nov. 15, 1969	Nov. 15, 1994	9.00	(U.S. $ 35,000)	41,737	41,737
8Y	Jan. 1, 1988	Jan. 1, 1995	9.625	(U.S. $200,000)	238,500	4,891
6W	March 15, 1970	March 15, 1995	9.75	(U.S. $ 20,000)	23,850	23,850
7P	Dec. 29, 1977	Dec. 29, 1989-1997 (a)	8.875	(U.S. $ 30,800)	36,729	(B)
8K	Feb. 1, 1983	Feb. 1, 1998	11.75	(U.S. $100,000)	119,250	23,918
7L	March 1, 1976	March 1, 2001	9.25	(U.S. $ 60,000)	71,550	37,647
8L	May 15, 1983	May 15, 2013	11.50	(U.S. $150,000)	178,875	12,153
8V	March 15, 1986	March 15, 2016	8.875	(U.S. $150,000)	178,875	5,976
9B	Feb. 1, 1989	Feb. 1, 2019	9.50	(U.S. $200,000)	238,500	(D)
					1,965,382	553,653

Series	Date of Issue	Date of Maturity	Rate			Amount Outstanding	Sinking Funds
Payable in Other Currencies (F)							
8T	Nov. 13, 1985	Nov. 13, 2005	5.50	(SF	200,000)	143,620	6,682
8C	Oct. 31, 1981	Oct. 31, 2011	16.75	(UK£	30,000)	60,333	3,539
8P	April 18, 1984	April 18, 2019	11.75	(UK£	60,000)	120,666	1,955
AL	March 18, 1987	March 18, 1997-2008 (a)	5.75	(Yen	30,000,000)	269,640	7,370
9A	Nov. 9, 1988	Nov. 9, 1998	5.40	(Yen	30,000,000)	269,640	(D)
						863,899	19,546
General Sinking Funds						N/A	144,454
						$5,625,809	$1,264,212

The following is a schedule of debentures maturing in each of the next five fiscal years with related sinking funds balances as at March 31, 1989. Amounts payable in foreign currencies and related sinking funds invested in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.

For the year Ending March 31	Maturing Debentures	Related Sinking Funds
	(in thousands)	
1990	$ 251,945	$ 51,783
1991	168,609	62,066
1992	288,980	138,651
1994	325,309	188,243
1994	265,102	153,538

NOTES:

(a) Serial maturity

(A) Debentures held by the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice when he deems it necessary in order to meet the requirements of the Canada Pension Plan. Amounts are borrowed monthly and consolidated into one debenture annually.

The Province has established sinking funds for retirement of borrowings from the Canada Pension Plan Investment Fund, with annual payments commencing one year after the consolidation of monthly borrowings.

(B) Debenture issues to be retired through annual principal payments during the years indicated.

(C) Issue to be retired from proceeds of a trust established to repay indebtedness to the Province.

(D) Sinking fund payments normally commence on the first anniversary date of the issue of the debentures and are generally designed to retire the debt over a 20 to 25 year period unless the term of the issue is longer. Sinking fund investments consist primarily of debentures of the Province of Nova Scotia and Government of Canada.

(E) Debentures payable in U.S. currency, totalling U.S. $1,648,119,000, and related sinking funds of U.S. $464,279,000 are reflected at the rate of exchange in effect at March 31, 1989.

(F) Canadian dollar equivalent at rates of exchange in effect at March 31, 1989.

Province of Nova Scotia

Notes to the Financial Statements

March 31, 1989

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

Public Accounts

The Public Accounts of the Province, of which these financial statements are a part, are presented annually to the Legislative Assembly and contain, among other information, the detail of revenue and recoveries, current and capital expenditure, borrowing and investing authorities as well as detailed expenditure by object.

Consolidated Fund

The receipt of public revenues, the disbursement of public funds, the control of expenditures and the keeping and auditing of the accounts of the Province are governed by various Provincial statutes. All receipts and disbursements of public money must flow through the Consolidated Fund of the Province. However, the Consolidated Fund does not include special funds such as trust, pension and certain sinking funds.

Receipts and disbursements consist of current revenue and expenditure, capital expenditure, recoveries, advances and investments, and other transactions.

Any net cash requirement of the Consolidated Fund is provided by the Province's traditional sources of financing, including internal sources and borrowings in financial markets.

Net Direct Debt

The Province's financial statements are presented so as to highlight net direct debt, a measurement of financial position. Net direct debt consists of the direct liabilities of the Province less its realizable assets. Capital expenditures on assets of a long-term nature such as highways and public buildings are not considered to be realizable assets for purposes of calculating net direct debt.

Transactions affecting net direct debt are summarized in the statement of changes in net direct debt.

Budgetary Process

The budgetary estimates, as approved by the Legislative Assembly, provide the authority for current and capital expenditures and indicate the anticipated revenues and recoveries of the Province for the fiscal year. Authority for current expenditure expires at the end of the fiscal year. Authority for capital expenditure for a fiscal year does not expire until the end of the following fiscal year.

Authority for current and capital expenditures is also provided by special legislation and by order of the Lieutenant Governor in Council under the authority of the Provincial Finance Act.

The Estimates are presented annually to the Legislative Assembly and reflect anticipated revenue and expenditure programs for the fiscal year for which approval is requested.

The Estimates also include a Forecast for the previous fiscal year indicating revisions of revenue and expenditure projections.

Estimate and Forecast figures are reflected in the statements of current revenue and expenditure and of capital expenditure.

Accrual Accounting

The accounts of the Province are kept on the accrual basis, revenues being recorded when earned and expenditures being recorded when the liabilities are incurred, with the following exceptions.

Interest on advances made by the Province is included in revenue only as collected, except where interest is capitalized as part of the cost of land assembly projects for housing programs or pursuant to specific agreements.

Payments from the Federal Government under the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act in respect of Equalization and Established Programs Financing Payments and under the Tax Collection Agreement in respect of Personal and Corporate Income Taxes are subject to adjustment in future years. Adjustment payments are reflected separately under "Prior Years' Adjustments – Federal-Provincial Fiscal Arrangements."

Government transfer payment entitlements are accrued on the basis of the best estimates available as at the date of the financial statements.

Crown Corporations and Agencies

Profits and losses of corporations and agencies owned or controlled by the Province, with the exception of the Nova Scotia Liquor Commission, are reflected in the revenues and expenditures of the Province only to the extent of any operating grants made by the Province. Operating grants are normally reflected as current expenditure. Profits of the Nova Scotia Liquor Commission and the Nova Scotia Liquor License Board are included in current revenue of the Province. The Province provides for the deficiency in the net assets of Sydney Steel Corporation in the calculation of net direct debt.

Net Revenue Surplus (Deficit), Special Reserve and Health Services Reserve Accounts

The annual net revenue surplus (deficit) consists of current revenue and recoveries, excluding sinking fund earnings, less current operating expenditure, and annual sinking fund instalments and serial retirements in respect of capital liabilities.

Pursuant to the Provincial Finance Act, the net revenue surplus in any year may be transferred to special reserve account. The Health Services Tax Act provides that the Minister of Finance may pay out of the Consolidated Fund of the Province such sums as are deemed necessary to establish the health services reserve account. Amounts in these accounts and funds created therefrom may be used for the various purposes defined under the Acts (See Note 2).

Capital Expenditure

Expenditures resulting in the construction or acquisition of assets which are expected to have a useful life in excess of five years are charged to capital in the Province's accounts. Capital account appropriations also include certain expenditures on assets of a long-term nature to which title may vest with entities other than the Provincial Government (such as hospitals or municipalities), but which are considered to be for the benefit of the general populace of the Province. In addition, capital account appropriations include the present value of long-term leases under which the Province assumes substantially all of the benefits and risks of ownership related to the leased property, and assets acquired under long-term purchase agreements. Capital expenditures are not considered to be realizable assets for purposes of calculating net direct debt.

Capital Advances and Investments

Capital advances and investments, including those to or on behalf of corporations and agencies owned or controlled by the Province, are made under the authority and limitations of various Provincial statutes. Capital advances and investments are reflected in the financial statements net of losses and provisions for losses, which are established as required through charges to current revenue and expenditure.

Accounts Receivable and Current Advances

Accounts receivable and current advances are reflected in the financial statements net of provisions for losses or uncollectible amounts, which are established as required through charges to current revenue and expenditure.

Inventories

Inventories consist mainly of goods for resale and machinery repair parts, gravel, lumber and other materials relating to the upkeep of highways. Inventories also include selected operating supplies, which are used mainly by Provincially operated hospitals, hotels and educational institutions. Inventories are stated at the lower of cost and net realizable value.

Debentures and Sinking Funds

Debentures payable in foreign currencies, accrued interest thereon, and related sinking funds invested in foreign currencies, are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements. Foreign exchange adjustments relating to sinking fund instalments, serial retirement payments and interest are reflected in current expenditure at rates in effect at the date of the transaction.

Sinking funds are maintained for the purpose of retiring debentures and Government of Canada loans. Sinking fund payments normally commence on the first anniversary date of the issue of the debentures and are generally designed to retire the debt over a 20 to 25 year period unless the term of the issue is longer.

Sinking fund investments are reflected in the statement of financial position at amortized cost, and consist primarily of debentures of the Province of Nova Scotia and Government of Canada. Sinking funds for debentures payable in U.S. currency are invested in U.S. funds. Where feasible, sinking funds for debentures payable in other currencies are invested in the currency of the issue, with the balance invested in Canadian funds.

Pursuant to the Provincial Finance Act, sinking fund instalments and serial retirements of capital liabilities are treated as a current expenditure in the calculation of net revenue surplus (deficit).

Earnings on sinking funds are credited directly to net direct debt.

Foreign Currency Translation — Unrealized Losses and Gains

Capital advances and debentures denominated in foreign currencies, together with related sinking funds, are translated into the Canadian dollar equivalent at rates prevailing at the date of the financial statements.

The unrealized foreign currency gains or losses on debentures, net of related sinking funds and advances, are amortized over the terms of the respective debenture issues by charges or credits to current expenditure.

Discounts on Debentures

Discounts and underwriting commissions related to the issuance of debentures are amortized over the terms of the related debenture issues by charges to current expenditure.

2. SPECIAL RESERVE AND HEALTH SERVICES RESERVE ACCOUNTS

Pursuant to authority granted by the Lieutenant Governor in Council, expenditures may be made from funds created from special reserve account and health services reserve account rather than being reflected in the calculation of the net revenue surplus (deficit) or as capital expenditures. Expenditures from these accounts amounted to $1,691,000 for the fiscal year ended March 31, 1989 (1988 – $18,000).

The unexpended balances of these accounts at March 31, 1989, which form part of the Consolidated Fund, amounted to $6,583,000 (1988 – $8,144,000) of which $1,768,000 (1988 – $2,160,000) had been authorized to be advanced or expended and $4,815,000 (1988 – $5,984,000) represented unappropriated balances of the accounts.

3. SYDNEY STEEL CORPORATION (SYSCO)

Sydney Steel Corporation, a Provincial Crown corporation established by an Act of the Legislature, operates a steel mill at Sydney.

To March 31, 1989, the Province had made cumulative operating grants to Sysco totalling $194,422,000, coverted $52,332,000 of advances to Sysco to equity, made $97,246,000 in equity contributions for debt retirement, and contributed $245,305,000 in respect of capital expenditure programs of which $177,535,000 has been recovered from the Federal Government. Annual operating grants are reflected as current expenditure and equity contributions as capital expenditure in the Province's financial statements.

The net direct debt includes $443,542,000 (1988 - $325,806,000) in respect of the deficiency in Sysco's net assets. The deficiency represents the amount by which Sysco's liabilities, $647,049,000 of which are guaranteed by the Province, exceed the book value of Sysco's assets after deducting accumulated depreciation.

The increase in the deficiency of Sysco's net assets during the year consists of:

	(in thousands)
Net loss of Sysco for the year (including a $104,612,000 extraordinary item re conversion to new facilities)	$213,719
Less: Equity contributions by the Province to Sysco for debt retirement ($4,812,000) and capital construction ($91,171,000)	95,983
	$117,736

The ability of Sysco to continue as a viable operation is dependent on the continued financial support of the Province and on an improved level of operating results. It is not possible to determine at present the extent of any losses that may be incurred by the Province on its equity contributions to Sysco or on its guarantees of Sysco's indebtedness.

4. DEUTERIUM OF CANADA LIMITED (DEUTERIUM)

At March 31, 1989, non-interest bearing advances to Deuterium amounted to $113,897,000.

On February 9, 1978, an agreement was signed for the sale of the facilities of Deuterium and its subsidiaries to Atomic Energy of Canada Limited (AECL), the Federal Government corporation responsible for Canada's nuclear program. The purchase price is being paid in quarterly instalments over 20 years, which commenced April 1, 1978, amounting to $3,300,000 per year. Title to the facilities will pass upon payment of the final instalment.

The instalments are being paid by AECL to a trustee, which is obligated to invest the funds and the earnings thereon in debentures of the Province yielding 5.5% to maturity. These investments amounted to $49,423,000 at March 31, 1989. At the date of the final payment, January 1, 1998, the fund will total $118,900,000 and will be used to repay the Province's advances to and investment in Deuterium.

5. DEBENTURES AND OTHER CAPITAL LIABILITIES

Debentures

Debentures payable in foreign currencies and related sinking funds invested in foreign currencies are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements. (See Statement of Debentures and Sinking Funds for details). The unrealized foreign currency gains or losses on debentures, net of related sinking funds and advances, as well as related discounts and underwriting commissions are amortized over the terms of the related debenture issues by charges or credits to current expenditure.

As at March 31, 1989 the unrealized gains or (losses) on foreign currency translation amounted to $72,856,000 [1988 - ($83,315,000)]. Also at March 31, 1989 unamortized discounts on debentures amounted to $40,765,000 (1988 - $40,291,000).

Other Capital Liabilities

Other capital liabilities consist of the following:

	1989	1988
	(in thousands)	
Government of Canada Loans	$32,032	$35,006
Less: Sinking Funds	3,431	3,071
	28,601	31,935
Obligation under Capital Leases and Purchase Agreement	33,258	11,283
	$61,859	$43,218

Government of Canada loans include funds provided in respect of municipal projects under federally sponsored programs which the Province in turn advanced to municipalities under similar terms and conditions. These advances amounted to $14,842,000 at March 31, 1989 (1988 - $16,267,000). The balance of the loans from the Government of Canada were provided to fund provincially sponsored projects. These loans bear interest at rates ranging from 7.03% to 9.57% and mature from March 31, 1993 to March 31, 2003, with $2,735,000 payable within the next fiscal year.

6. DEBT CHARGES

Debt charges consist of the following:

	1989	1988
	(in thousands)	
Interest on outstanding debentures	$566,216	$553,730
Amortization of discounts on debentures	5,565	5,113
Interest on short-term borrowings	1,662	3,574
Foreign exchange costs realized	313	3,836
Amortization of unrealized foreign exchange costs	(15,205)	(3,008)
Other financing charges and costs	1,575	2,597
	$560,126	$565,842

7. CONTINGENT LIABILITIES

The Province acts as a guarantor of debt issued by Crown corporations, agencies, and various other entities under authorities provided by Provincial statutes. At March 31, 1989, outstanding bank loans, bonds, debentures, etc., directly guaranteed by the Province are summarized below, net of sinking fund balances.

	(in thousands)
Nova Scotia Power Corporation	$1,353,058
Sydney Steel Corporation (See Note 3)	647,049
Nova Scotia Municipal Finance Corporation	309,290
Nova Scotia Resources Limited	158,132
Halifax-Dartmouth Bridge Commission	87,237
Industrial Development Act	18,353
Trade Centre Limited	13,000
Other	24,213
	$2,610,332

The Province is also contingently liable, pursuant to an agreement between the Government of Canada and the Province entered into under the Atlantic Provinces Power Development Act, for the repayment by the Nova Scotia Power Corporation of long-term notes payable to the Government of Canada amounting to $39,378,000 at March 31, 1989. The Province has also guaranteed certain contractual obligations of the Nova Scotia Power Corporation amounting to $1,298,000.

The Province had also guaranteed performance bonds and letters of credit totalling $7,900,000 for Sydney Steel Corporation and has issued other performance guarantees totalling $22,900,000.

8. COMMITMENTS

The Province was obligated to the extent of approximately $103,908,000 for construction contracts entered into on or before March 31, 1989 and not completed at that date, of which $34,964,000 is in respect of projects being funded by other agencies or the Federal Government.

The Province also has a statutory requirement to make payments to municipalities and school boards to service debt incurred with respect to the construction, alteration and improvements to school buildings or acquiring land therefor. At March 31, 1989, outstanding debt of the municipalities and school boards for these purposes was $179,269,000, of which $83,200,000 was provided through the Provincially guaranteed borrowings of the Nova Scotia Municipal Finance Corporation. Annual principal and interest payments to service this debt for the years ending March 31, 1990 to 1994 are $44,380,000, $42,644,000, $38,570,000, $33,530,000 and $31,062,000, respectively. In addition there are approved school construction projects amounting to $133,529,000, for which, if completed, the Province will be obligated to pay debt servicing grants.

At March 31, 1989 the Province is committed to providing debt servicing grants with respect to $99,799,000 of debt related to the cost of approved hospital construction projects. Of this amount $19,692,000, was provided through guaranteed borrowings of the Nova Scotia Municipal Finance Corporation. Annual debt servicing grants payable for the years ending March 31, 1990 to 1994 are $9,985,000, $10,456,000, $12,960,000, $14,467,000, and $13,388,000, respectively.

9. CANADA–NOVA SCOTIA (OFFSHORE) DEVELOPMENT FUND

In August 1986 the Governments of Nova Scotia and Canada signed the Canada-Nova Scotia Offshore Petroleum Resources Accord which superseded the 1982 Canada-Nova Scotia agreement. The Accord affirmed the Government of Canada's commitment to provide the Province with a $200,000,000 Development Fund to support approved expenditures incurred by the Province that relate to offshore development and amended the previous agreement to waive repayment of such amount.

During the 1988-89 fiscal year, $19,033,000 of capital expenditure, $1,323,000 of capital advances and $6,860,000 of current expenditure incurred by the Province were charged to the Canada-Nova Scotia (Offshore) Development Fund. The total expenditures charged to the Fund to March 31, 1989 amounted to $142,901,000.

10. PUBLIC SERVICE SUPERANNUATION FUND

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. Provincial legislation and regulations provide that certain payments to pensioners are charged to the Consolidated Fund of the Province rather than to the Public Service Superannuation Fund. Such payments for the fisal year ended March 31, 1989 amounted to $2,484,000 (1988 – $2,389,000) or 6.0% of the total benefits paid. In addition, payments must be made by the Province out of its Consolidated Fund if the Public Service Superannuation Fund is insufficient to provide for pension payments as they become due.

The plan is funded by employee constributions of 7% of salary and equal contributions by the Province and participating agencies. During the fiscal year ended March 31, 1989, employee and employer contributions for the year totalled $58,844,000.

Pensions are paid on the basis of the average salary for the five highest years at the rate of 2% for each year for which contributions were made. Benefits paid are integrated with Canada Pension Plan benefits. Employees and the Province contribute at a reduced rate (5.4%) and receive a reduced pension (1.3%) in respect of earnings eligible for Canada Pension Plan benefits. Pension payments are increased annually (January 1) by the lesser of the increase in the Consumer Price Index or 6%.

At March 31, 1989, the book value of the Public Service Superannuation Fund amounted to $947,493,000 (1988 – $840,278,000). Fixed term investments are valued at amortized cost and equity investments are valued at cost. The market value of assets at March 31, 1989 was $30,467,000 (1988 – $40,028,000) in excess of the book value.

The most recent actuarial valuation based on information as of March 31, 1987 projects liabilities for each member on the basis of service earned to date and projected average salaries for the five highest years at the date of retirement. The assumptions used in the actuarial valuation at March 31, 1987 include a 4.5% inflation rate, 0.5% real average salary increase, and a 4.5% real rate of return on investments. The actuarial valuation indicates that at March 31, 1987, the Fund had actuarial liabililties with a present value of $994,469,000, and assets valued for actuarial purposes at $753,889,000 resulting in an unfunded actuarial liability of $240,580,000. Approximately 88% of employee and employer contributions are required to meet current service costs; the remaining 12% is available for funding of past service costs.

This brochure and other Financial Publications may be obtained by writing to:

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